

STATE OF RHODE ISLAND - DIVISION OF TAXATION

TAX CREDITS/DEDUCTIONS

REGULATION CR 02-12

ISO CERTIFICATION CREDIT

I. IN GENERAL:

A taxpayer which receives a quality standard certificate for ISO compliance shall be allowed a tax credit equal to the cost incurred to obtain the quality standard certificate.

II. DEFINITIONS:

1. "Quality standard certificate" means the certificate awarded to the taxpayer by the independent certification bodies for the International Organization for Standardization (ISO) and shall mean and include certifications for the ISO 9000 and ISO 14000 standards series.

2. "Costs incurred" by a taxpayer corporation shall mean those costs incurred in Rhode Island on or after July 3, 1998 and shall include only those costs incurred to obtain the quality standard certification. Costs incurred prior to July 3, 1998, after certification has been awarded, or to maintain certification are not eligible for the credit. A limited liability company electing to be treated as a corporation is eligible to claim the credit.

Costs incurred by the taxpayer may include payments for eligible items which are capitalized and depreciated by the taxpayer.

Costs incurred may include those costs incurred in tax years prior to certification provided that they were otherwise eligible, were incurred in Rhode Island on or after July 3, 1998, and that proper documentation for such prior period costs is attached to the tax credit claim form.

III. CALCULATION AND EXAMPLES:

The credit is equal to the costs incurred on or after July 3, 1998 to obtain the quality standards certificate and is claimed by

the taxpayer in the tax year in which the taxpayer is certified.

EXAMPLE 1: After July 3, 1998, Company A incurs a total of \$13,000 in qualifying costs in Rhode Island to obtain ISO 9000 certification and is awarded certification in November 1998. Company A is a calendar year corporation and is therefore eligible to claim \$13,000 of ISO credit against its business corporation tax for tax year 1998.

EXAMPLE 2: In seeking ISO certification for its entire nationwide operations, Company B has costs of \$131,000, of which \$8,000 was incurred after July 3, 1998 in Rhode Island for certification of B's Rhode Island location. In the year in which B receives its certification, it is entitled to claim \$8,000 of ISO credit against its business corporation tax for that tax year.

EXAMPLE 3: Corporation C has incurred \$11,000 of eligible costs in Rhode Island in seeking ISO certification; \$5,000 of which was incurred prior to July 3, 1998. Corporation C receives its certification in 1998 and can claim \$6,000 of ISO credit against its business corporation tax for that year.

EXAMPLE 4: Corporation D has been seeking ISO certification for its Rhode Island location for many years and finally, in 1999, Corporation D is certified. In examining to determine eligibility, Corporation D has \$60,000 of costs of which \$22,000 were incurred prior to July 3, 1998; \$18,000 were incurred during 1998 but after July 3, 1998; and \$20,000 during 1999. Since Corporation D has been certified in 1999, it can claim \$38,000 of ISO credit against its business corporation tax for that tax year.

EXAMPLE 5: Corporation E was ISO 9000 certified in 1997 and, during 1998, it spend \$11,000 to maintain its certification. Since Corporation E had been certified and since the costs were to maintain certification previously granted, it cannot claim any of the \$11,000 as ISO credit against is business corporation tax for that tax year.

IV. LIMITATIONS AND MISCELLANEOUS:

1. The credit is not refundable and cannot reduce the taxpayer's tax for that tax year to below the minimum.

2. Amounts of credit not used may not be carried over to any subsequent tax year.

3. Effective July 10, 2001, if the taxpayer is a Subchapter S

Corporation, the credit may be passed through to shareholder/owners in the same manner as income. A taxpayer may claim a credit as a Subchapter S Corporation only for such eligible costs in Rhode Island on or after July 10, 2001 and certification issued to such taxpayers prior to July 10, 2001 is likewise ineligible. Costs to maintain certification regardless of date incurred are not eligible.

4. If the taxpayer is included in a consolidated return, the credit is allowed against the tax of only the corporation which qualifies for the credit and will not be allowed against the tax of other corporations that may join in the filing of a consolidated state tax return with the taxpayer.

5. Costs incurred may be claimed for only one type of ISO certification.

R. GARY CLARK
TAX ADMINISTRATOR

EFFECTIVE: FEBRUARY 1, 2002

THIS REGULATION AMENDS AND SUPERCEDES REGULATION CR 99-12
PROMULGATED JANUARY 1, 1999.